



IRS Nationwide **TaxForum** | 2019

Learn the Facts about IRS Due
Diligence Contacts!



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2019

Today our seminar will:

- Briefly review paid preparer due diligence requirements
- Share IRS due diligence contact methods
- Outline the consequences for failing to meet paid preparer due diligence requirements
- Provide information on resources designed just for preparers

Preparer Due Diligence Review

As a paid tax return preparer, you must:

Complete
and
submit
Form 8867

Compute
the credits
based on
the facts

Ask all the
right
questions

Keep
records



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Preparer Due Diligence Review

Complete
and Submit
Form 8867

8867 Paid Preparer's Due Diligence Checklist

OMB No. 1545-0074

2018

Attachment Sequence No. 70

▶ To be completed by preparer and filed with Form 1040, 1040NR, 1040SS, or 1040PR.
▶ Go to www.irs.gov/Form8867 for instructions and the latest information.

Taxpayer identification number

Preparer's name and PTIN

	EIC	CTC/ ACTC/ODC	AOTC	HOH
Did you check the appropriate box for the credit(s) and/or HOH filing status claimed on this return and complete the related Parts I-V for the benefit(s), and/or HOH filing status claimed (check all that apply).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you complete the return based on information for tax year 2018 provided by the taxpayer or reasonably obtained by you?	<input type="checkbox"/> Yes <input type="checkbox"/> No			
If credits are claimed on the return, did you complete the applicable EIC and/or CTC/ACTC/ODC worksheets found in the Form 1040, 1040SS, 1040PR, or 1040NR instructions, and/or the AOTC worksheet found in the Form 8863 instructions, or your own worksheet(s) that provides the same information, and all related forms and schedules for each credit claimed?	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A			

Part I Due Diligence Questions for Returns Claiming EIC

1. Have you determined that the taxpayer is, in fact, eligible to claim the EIC for the number of children for whom the EIC is claimed, or to claim the EIC if the taxpayer has no qualifying child (skip 1b and 1c if the taxpayer is claiming the EIC and does not have a qualifying child)?

2. Did you ask the taxpayer if the child lived with the taxpayer for over half of the year, even if the taxpayer has supported the child the entire year?

3. Did you explain to the taxpayer the rules about claiming the EIC when a child is the qualifying child of more than one person (stepparent or foster parent)?

Part II Due Diligence Questions for Returns Claiming CTC/ACTC/ODC

4. Have you determined that each qualifying person for the CTC/ACTC/ODC is a U.S. citizen, national, or resident of the U.S. for the entire year?

5. Did you explain to the taxpayer that he/she may not claim the CTC/ACTC/ODC if the taxpayer has not lived with the child for over half of the year?

6. Did you explain to the taxpayer the rules about claiming the CTC/ACTC/ODC if the taxpayer has claimed a refund for a Form 1040 or similar document in the preceding 3 years?

Part III Due Diligence Questions for Returns Claiming AOTC

7. Did the taxpayer provide the required substantial Form 1099-1 and/or receipts for the qualified expenses for the claimed AOTC?

Part IV Due Diligence Questions for Returns Claiming HOH

8. Have you determined that the taxpayer is unmarried on the last day of the tax year and is the head of a household for the year?

Part V Due Diligence Questions for Returns Claiming EIC, CTC/ACTC/ODC, AOTC, or HOH

9. Have you interviewed the taxpayer, asked the taxpayer to provide adequate information to determine the amount of the credit(s), and completed the Form 8867 instructions?

10. Have you completed the Form 8867 instructions for each credit claimed and HOH filing status, and submitted the Form 8867 with the return?

11. Have you kept all the following records for 3 years from the date the return is filed?

1. A copy of Form 8867.
2. The applicable worksheet(s) or your own worksheet(s) used to determine eligibility to claim the credit(s), and/or HOH filing status.
3. Copies of any documents provided by the taxpayer on which you relied to determine the amount of the credit(s), and/or HOH filing status.
4. A record of how, when, and from whom the information used to prepare this form and the applicable worksheet(s) or your own worksheet(s) was obtained, and
5. A record of any additional questions you may have asked to determine eligibility to claim the credit(s), and/or HOH filing status, and the amount(s) of any credit(s) claimed and the taxpayer's answers.

Preparer Due Diligence Review

Compute the
credits based
on the facts

Ask all the
right
questions

Keep records

Contact Methods

 Department of the Treasury
Internal Revenue Service
Wage & Investment NDC/EITC
1201 North Mitsubishi Motorway
Bloomington, IL 61705

Date:
09/06/2018
Contact email address:
w.r.preparerresponse@irs.gov
Preparer ID number:

You may not have met your due diligence requirements

Dear [Name]:

We're writing to make you aware of the due diligence requirements for paid preparers.

You prepared tax year 2017 returns that claimed at least one of the credits listed below. Our review of these returns indicates you may not have met your due diligence requirements.

- Earned Income Tax Credit (EITC)
- Child Tax Credit (CTC)
- Additional Child Tax Credit (ACTC)
- American Opportunity Tax Credit (AOTC)

Paid preparers must comply with all due diligence requirements. Failure to do so can result in a penalty of \$520 per failure for tax returns filed in 2019. The failure can also result in an audit, the suspension or termination of e-filing privileges, or a referral to the IRS's Criminal Investigation Division.



Letter 5025 — You may have not met due diligence requirements



Department of the Treasury
Internal Revenue Service
Wage & Investment NDC/EITC
1201 North Mitsubishi Motorway
Bloomington, IL 61705

Date:
09/06/2018
Contact email address:
wircpreparerresponse@irs.gov
Preparer ID number:

You may not have met your due diligence requirements

Dear [Name]:

We're writing to make you aware of the due diligence requirements for paid preparers.

You prepared tax year 2017 returns that claimed at least one of the credits listed below. Our review of these returns indicates you may not have met your due diligence requirements.

- Earned Income Tax Credit (EITC)
- Child Tax Credit (CTC)
- Additional Child Tax Credit (ACTC)
- American Opportunity Tax Credit (AOTC)


Paid preparers must comply with all due diligence requirements. Failure to do so can result in a penalty of \$520 per failure for tax returns filed in 2019. The failure can also result in an audit, the suspension or termination of e-filing privileges, or a referral to the IRS's Criminal Investigation Division.

Schedule C, Profit or Loss from Business, which
ear to meet the relationship, residency, age, or joint

Letter 5025 (Rev. 9-2018)
Catalog Number 596264



Letter 4858 - Alert to Return Preparers

	Department of the Treasury Internal Revenue Service Wage & Investment NDC/EITC 1201 North Mitsubishi Motorway Bloomington, IL 61705	Date: 03/19/2019 Contact e-mail address: wi.rcpreparerresponse@irs.gov Preparer ID number:
<div></div>		
<p align="center">You may not have met your due diligence requirements</p>		
<p>Dear [Name]:</p>		
<p>We're writing to make you aware of due diligence requirements for paid preparers.</p>		
<p>You prepared tax year 2018 returns claiming at least one of the benefits listed below. Our review of these returns indicates you may not have met your due diligence requirements.</p>		
<ul style="list-style-type: none">• Head of Household (HoH) filing status• Earned Income Tax Credit (EITC)• American Opportunity Tax Credit (AOTC)• Child Tax Credit (CTC)• Additional Child Tax Credit (ACTC)• Credit for Other Dependents (ODC)		
<p>Please note that the Tax Cuts and Jobs Act expanded the due diligence requirements to cover eligibility to file as HoH. Beginning with tax year 2018 returns, Internal Revenue Code Section 6695(g), Failure to be diligent in determining eligibility for certain tax benefits, applies to paid preparers of returns and claims for refund claiming HoH filing status. The Tax Cuts and Jobs Act also modified the CTC to provide a \$500 nonrefundable credit for tax years 2018 through 2025. This new ODC can be claimed for qualifying dependents other than children who can be claimed for the CTC. The due diligence requirements for the CTC also apply to the ODC.</p>		
<p>Paid preparers must comply with all due diligence requirements. Failure to do so can result in a penalty of \$520 per failure, with a maximum penalty of \$2,080 per return. The failure can also result in an audit, the suspension or termination of e-filing privileges, or a referral to the IRS's Criminal Investigation Division.</p>		

with information about the

for the benefits

Letter 4858 (Rev. 9-2018)
Catalog Number 58736R



Letter 5364 - Missing Form 8867



Department of the Treasury
Internal Revenue Service
Wage & Investment NDC/EITC
1201 N. Mitsubishi Motorway
Bloomington, IL 61705

Date:

02/28/2019

Contact us by e-mail at:

wi.rcpreparerresponse@irs.gov

Preparer ID Number:

Missing Forms 8867 Alert

Dear (enter Name):

We're writing to make you aware of due diligence requirements for paid preparers because we received two or more tax year 2018 paper returns you prepared claiming at least one of the benefits listed below without a Form 8867, Paid Preparer's Due Diligence Checklist. We've enclosed a list of these returns with this letter for you to review.

- Head of Household (HoH) filing status
- Earned Income Tax Credit (EITC)
- American Opportunity Tax Credit (AOTC)
- Child Tax Credit (CTC)
- Additional Child Tax Credit (ACTC)
- Credit for Other Dependents (ODC)

ction 6695(g), you must include
silure to do so may result in a

Do not send us a copy of any
667. We'll continue to monitor
ur due diligence requirements.

Letter 5364 (Rev. 9-2018)
Catalog Number 66109G



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If you receive one of these letters...

- Don't ignore!
- Review your procedures
- Take additional steps

Is it *really* the IRS?

Educational Phone Calls

- IRS caller will provide IRS ID number
- IRS caller will refer to previous IRS contact
- IRS caller will ask security questions to confirm appropriate preparer on the line
- IRS caller will provide educational information



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Office Visit – Educational



Video Placeholder – Part I



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Preparer Notification




Video Placeholder – Part II

The Exam



VIDEO Placeholder III

-Exam Closing- Letter 1125

 Department of the Treasury Internal Revenue Service [Operating Division / Program Name]	Date:
	06/14/2019
	Taxpayer ID number:
	Form:
	Tax period ended:
	Person to contact:
	Employee ID number:
Contact telephone number:	
Response due date:	

Dear []:

We have enclosed a copy of our examination report explaining why we are proposing a tax return preparer penalty. Please review this proposed assessment and let us know whether or not you agree by following the directions provided in this letter.

What to Do If You Agree

If you agree to the assessment and collection of the proposed penalty or penalties, please sign, date, and return one copy of the enclosed Form 5816, *Report of Tax Return Preparer Penalty Case*, in the envelope provided. Make your check or money order payable to the **United States Treasury** for the amount indicated on the form. If you agree but cannot pay in full, pay what you can within 30 days from receipt of this notice and we will send you a bill for the remaining amount with information about your payment options.

What to Do If You Disagree

If you don't agree with our findings, you may request a meeting or a telephone conference with the supervisor of the person whose name is shown above. If you still do not agree with our findings, you have the right to request a conference with our Appeals Office. You may request an appeals conference as follows:

, we will assess the penalty and begin enforced

Letter 1125 (Rev. 8-2016)
Catalog Number 13620Y

-Exam Closing - Penalties and Next Steps

Form 5816 (February 2019)		Department of the Treasury - Internal Revenue Service	
Report of Tax Return Preparer Penalty Case			
Preparer's name		Preparer's PTIN, SSN, or EIN	
Street address	City	State	ZIP code
Select one box. Preparer is <input type="checkbox"/> Employer preparer <input type="checkbox"/> Self-employed preparer <input type="checkbox"/> Employee preparer			
Examining Area/Function	Agreement <input type="checkbox"/> Full <input type="checkbox"/> None	In reply refer to	
Name and title of person with whom penalty was discussed		Date of report	
The following information identifies the tax return or claim for which penalty is being charged			
Taxpayer's name		Taxpayer's SSN or EIN	
Street address	City	State	ZIP code
Tax period	Master file tax code		
Kind of Preparer Penalty Charged		Amount	
A. Understatement of tax due to an unreasonable position. (IRC Sec. 6694(a))			
B. Understatement of tax due to willful or reckless conduct. (IRC Sec. 6694(b))			
C. Failure to furnish a copy of the return or claim to the taxpayer. (IRC Sec. 6695(a))			
D. Failure to sign return or claim. (IRC Sec. 6695(b))			
E. Failure to furnish identifying number on return or claim. (IRC Sec. 6695(c))			
F. Failure to keep a copy or list of the returns or claims prepared. (IRC Sec. 6695(d))			
G. Failure to file certain information returns. (IRC Sec. 6695(e))			
H. Negotiating or endorsing a refund check issued to a taxpayer (other than the preparer). (IRC Sec. 6695(f))			
I. Failure to comply with due diligence requirements. (IRC Sec. 6695(g))			
J. Disclosure or use of information, other than to prepare or assist in preparing returns, (IRC Sec. 6713)			
Total penalties			
Examiner's signature			

Unagreed Cases

explains these penalties as they relate to tax return preparers. I agree to
exercise my appeal rights with the Internal Revenue Service or to contest in
t, therefore, I give my consent to the immediate assessment and collection of

Date

www.irs.gov

Form **5816** (Rev. 2-2019)

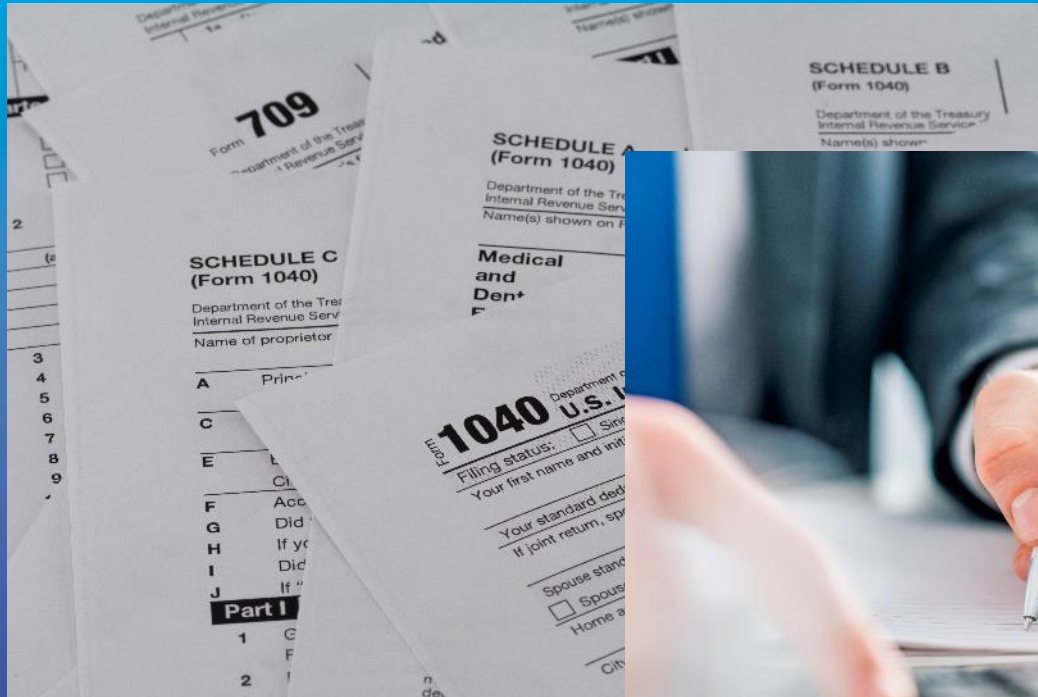


Correspondence Due Diligence Exam

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Resources

EITC Central	Tax Preparer Toolkit	Partner Toolkit	Other Refundable Credits
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Refundable Credit Due Diligence Best Practices Training Module

About Refundable Credits for Preparers


Hot Topics for Return Preparers

Preparer Due Diligence

Due Diligence Training Module

Due Diligence Videos

Preparer Compliance - Focused and Tiered



Continuing Education Tax Law credit for enrolled agents and Registered Return Preparers. This self-study course is approved for one CE credit for enrolled agents and other tax return preparers.

CPAs, attorneys, and others licensed by state boards/organizations should check with their respective boards/organizations to determine if credit applies toward their continuing education requirements.

To receive credit, you must register using your PTIN, complete the course, and pass the test.

Alert: We respond to your request to reset your password by an email from eitc.program@irs.gov. Please set your SPAM filter, Junk mail or other mail sorting filters to accept email from eitc.program@irs.gov or the .gov domain. Our security settings will not allow us to register our email address through your provider

Hot Topics for Return Preparers

Tax Preparer Toolkit:

<https://www.eitc.irs.gov/tax-preparer-toolkit/welcome-to-the-tax-preparer-toolkit>

Thank you for attending

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Diligence Contacts!